

**Nevada County  
Local  
Agency  
Formation  
Commission**

RECEIVED

FEB 10 2010

City of Nevada City

**LAFCo**  
**950 Maidu Avenue**  
**Nevada City, CA 95959-8617**

*Phone* 530 265 7180

*Toll Free* 888 846 7180

*Fax* 530 265\*9862

*E mail* [lafco@co.nevada.ca.us](mailto:lafco@co.nevada.ca.us)

*Webpage* [nclafco.com](http://nclafco.com)

Robert Bergman  
*Cities*

John Drew  
*Districts*

Kurt Grundel  
*Districts*

Paul Norsell  
*Public*

Ted Owens  
*County*

Lisa Swarthout, Vice Chair  
*Cities*

Hank Weston, Chair  
*County*

Richard Anderson  
*Cities Alternate*

Nate Beason  
*County Alternate*

Ed Beckenbach  
*Districts Alternate*

Josh Susman  
*Public Alternate*

SR Jones  
*Executive Officer*

P. Scott Browne  
*Legal Counsel*

Katherine E. Hudson  
*Clerk to the Commission*

Kate Duroux  
*Assistant Clerk*

February 9, 2010

Mr. Gene Albaugh, City Manager  
City of Nevada City  
317 Broad Street  
Nevada City, CA 95959

Re: Possible Realignment of Nevada Irrigation District Service Boundary

Issue:

A number of residential properties within Nevada City receive treated water from Nevada Irrigation District (NID) under out-of-agency contracts. Because these customers are not within the District's boundaries, their NID water rates are subject to a 25 percent surcharge, and they are not eligible to participate in District elections.

Background:

The problem was brought to LAFCo's attention by a Nevada City resident who receives treated water service from Nevada Irrigation District under an out-of-agency contract. She wanted to know if annexation to the District would eliminate the 25 percent surcharge from her bills.

LAFCo, Nevada City and NID staff researched the situation by reviewing the political boundaries and the service areas for the latter two agencies. It was discovered that six parcels in the northeastern quadrant of the City (vicinity of Willow Valley and Nursery Street) receive treated water under contract from NID, and twelve parcels in the southwestern quadrant (in the Brock Road area) likewise have out-of-agency service connections with the District.

The historic reasons that these parcels have been connected to NID despite being within Nevada City's boundaries are unclear. It seems that the Brock Road parcels were created in the 1940's and connected to NID's system at the time they were subdivided. The Nursery Street/Willow Valley Road properties were likely developed in the 1930's and connected at that time. We suspect that the decision to connect to NID's system rather than the City's was intended to be a temporary solution to the difficulties of extending the City's system and delivering adequate water pressure to these areas.

The staff group reviewed service options for the properties, considering whether the City could provide service to them rather than the District. It was concluded that the City's system, in its current state, would be challenged to provide the same level of service as the District, especially with respect to

water pressure. Addressing the water pressure issues would likely involve installation of new infrastructure components (e.g., piping, tanks and pumps). NID also expressed concern that two parcels receive water service via water line extensions through an intermediate parcel. Such arrangements are typically considered temporary and are rarely allowed on a permanent basis. NID and City staff have agreed to look closely at these two parcels to determine the best service scenario in light of Nevada City's known water service limitations.

Recommendation:

Because these parcels are currently connected to NID's system and there seems to be no benefit to the customers or to either agency in changing the water provider, it would seem appropriate to consider their annexation to the District. The customers would benefit from lower water rates and the opportunity to participate in the District's election processes.

Further considerations also support the case for annexation at this time:

1. NID's Sphere of Influence was recently updated by LAFCo and includes a realistic appraisal of the District's current and continuing capacity to provide adequate service.
2. The District's Sphere Plan provides an Annexation Strategy which promotes the annexation of parcels outside the District's boundaries if they receive treated water service under contract and are within the District's Service Area (which the subject parcels are). This strategy has recently been employed to annex properties within the City of Grass Valley (Hills Flat Area, 2007) and in the unincorporated area (Highway 174 Corridor/Melanie Welner, 2008).
3. The City and the District have recently successfully negotiated a Master Tax Sharing Agreement which would apply to these situations.
4. Nevada City does not currently serve these properties and has no plans at this time to do so.

In the context of its Annexation Strategy, NID has financed the cost of the annexations noted above. It is anticipated that the District Board would favorably consider a similar arrangement, if the City Council were to make a positive recommendation for the District to initiate the annexation by applying to the Local Agency Formation Commission. This would initiate the annexation process, which provides for notification of residents and property owners and consideration of their concerns at a public hearing prior to Commission action.

Sincerely,



SR Jones, Executive Officer

cc:

Commissioner Hank Weston, Chair  
 Commissioner John Drew  
 Commissioner Robert Bergman